$1,000 Invested in Cineplex in 2020 Is Worth This Much Today

Description

"Cinema is dying." The statement, though very dramatic (ironically) and not 100% true, generalizes a widespread trend in entertainment. Streaming services — like **Netflix**, which buried Blockbuster with its DVD-by-mail business model — are now slowly getting rid of the cinema as well.

The pandemic drove another nail in the coffin, as it pushed the number of cinema goers even further down. Once the pandemic is truly behind us, we might see a nostalgia-driven wave taking people to the cinema, but it will most likely be short-lived. When people settle down into old routines, they are likely to turn back to less time-consuming and enjoyable-in-the-comfort-of-your-home streaming services instead of going to the cinema.

This trend can be seen in movie making as well, and more producers and directors are now working with streaming services and creating content for them. All of this has culminated into a steady decline of companies like **Cineplex** (TSX:CGX).

Cineplex stock: What would a 2020 purchase look like today?

If you had invested $1,000 in Cineplex when 2020 started, you would have experienced a massive decline and would now be sitting on about $394. At that time, the stock was trading at around $34 per share, thanks to the boost it got from **Cineworld's** acquisition proposal. Now, the stock is down over 60.8% and is trading at about $13.3 per share.

However, if you had invested $1,000 in the company when its valuation crashed almost 68% due to the pandemic, you would have gained about 22.9%, and your capital would have grown to $1,229.

The stock has a long way to reach its pre-pandemic valuation, and if it *could*, you could easily double your capital by investing in the company right now. But the chances of it spiking to that level are quite low right now.

The future of Cineplex

The future of Cineplex seems bleak at best. The financials are still crushed. The second-quarter revenue was about 6.7 times smaller than the second-quarter revenue of 2019, indicating the massive gap between pre-pandemic earnings and the current earning potential.

The company is also taking **Cineworld** to court for dealing in bad faith. Cineplex claim that the company delayed the takeover in hopes that the pandemic-ridden market would drag the company down to default. It's seeking over $2 billion in damages for walking out of the deal — i.e., a number that's twice the current market capitalization of the company.

Foolish takeaway

If you believe the gavel will fall in Cineplex's favour, you might consider buying the company for the financial and "moral" boost it would get. Combined with the optimism of a post-pandemic market, it might be enough to help the stock grow to the pre-pandemic highs (ideally higher). But the long-term prospects of the company are still dark, unless the cinema business, as a whole, sees an organic, long-term recovery and gets out of the bear market phase.

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